

Exemptions

General

[Article XIII, section 1](#) of the California Constitution sets forth the general principle that all property is taxable unless otherwise provided. [Section 3 of article XIII](#) authorizes exemption of certain types of property from property taxation, and [section 4 of article XIII](#) authorizes the Legislature to enact exemptions of other types of property.

The major exemptions reviewed by the BOE during an assessment practices survey include the church exemption, religious exemption, welfare exemption, and disabled veterans' exemption.

Church and Religious Exemptions

[Article XIII, section 3\(f\)](#) of the California Constitution authorizes exemption of property used exclusively for religious worship. This provision, which is implemented by [section 206](#), exempts buildings, the land on which they are situated, and equipment used exclusively for religious worship when such property is owned or leased by a religious organization. [Section 206.1](#) implements the exemption specifically for parking areas owned or leased by a religious organization.

[Section 207](#) implements the religious exemption, which exempts property used exclusively for religious purposes. Property used exclusively for religious purposes includes property owned and operated by a church and (1) used solely for religious worship, or (2) used for religious worship and preschool purposes, nursery school purposes, kindergarten purposes, school purposes of less than collegiate grade, or for purposes of both schools of collegiate grade and schools less than collegiate grade. This would not include property owned and operated by a church that is used for religious worship and school purposes of collegiate grade only.

County assessors administer the church and religious exemptions. The church exemption, including the parking exemption, requires an annual filing of the exemption claim. The religious exemption requires a one-time filing of the exemption claim; however, claimants are annually mailed a form to confirm continued eligibility of the exemption.

Welfare Exemption

[Section 214](#) implements the welfare exemption, and exempts from taxation property used exclusively for religious, hospital, scientific, or charitable purposes and that is owned or held in trust by nonprofit organizations operating for those purposes. The welfare exemption is co-administered by the BOE and county assessors.

The BOE is responsible for determining whether an organization is eligible for the welfare exemption and for issuing either an *Organizational Clearance Certificate* (OCC) to qualified organizations or a *Supplemental Clearance Certificate* (SCC) to limited partnerships, which have a qualified organization as

the managing general partner, that own and operate low-income housing. The OCC or SCC is issued by the BOE, and will remain valid until the BOE determines the OCC or SCC no longer meets the requirements.

The assessor is responsible for determining whether the property use of a qualifying organization's property is eligible for exemption and for approving or denying exemption claims. The assessor may not grant a welfare exemption on an organization's property unless the organization holds a valid OCC issued by the BOE or a valid SCC issued by the BOE if the property is a low-income housing property owned and operated by a limited partnership, which has a qualified organization (OCC holder) as the managing general partner. The assessor may deny an exemption claim based on a nonqualifying use of the property, notwithstanding that the BOE has issued an OCC or SCC to the claimant.

Disabled Veterans' Exemption

[Section 205.5](#) implements the disabled veterans' exemption, which exempts a specified amount of the value of a dwelling when occupied as a principal place of residence by a qualified disabled veteran or the veteran's unmarried surviving spouse. The property must be owned by the veteran, the veteran's spouse, or the veteran and the veteran's spouse jointly. The amount of the exemption is \$100,000 or, for a qualifying low-income claimant, \$150,000. These amounts are adjusted annually for inflation by a cost of living index.

The disabled veterans' basic exemption of \$100,000 requires a one-time filing, while the low-income exemption of \$150,000 requires annual filings to ensure that the claimant continues to meet the household low-income restriction.

Scope of Review

The BOE's assessment practices survey team evaluates the assessor's practices and procedures regarding exemptions. As part of this process, the BOE reviews property records involving church exemptions, religious exemptions, welfare exemptions, and disabled veterans' exemptions.

The specific areas of review may include, but are not limited to, the following:

Church and Religious Exemptions

- Church Exemption:
 - Does the assessor exempt leased parking under the church exemption?
 - When would the assessor recommend that a claimant file for the church exemption rather than the religious exemption?
 - When are other users of a property also required to file an exemption claim?
 - Does the assessor annually send a claim form to those religious organizations claiming the church exemption? If so, when do the claim forms get mailed?
 - How does the assessor handle first-filing church exemption claims that are filed late?

- Does the assessor exempt worship areas that are located in a private residence?
- Religious Exemption:
 - Does the assessor grant the religious exemption if the owner of the property does not use the property, but leases it out to another religious organization that is using the property for allowable exempt purposes?
 - Does the assessor annually send notices to claimants who received the religious exemption in the prior year?

Welfare Exemption

- General Elements:
 - Does the assessor use [BOE-267-FIR, Welfare Exemption Assessor's Field Inspection Report](#), for all first-filings?
 - Does the assessor update the file when there is a changing use of the property?
 - Does the assessor keep notes in the file documenting all contact with the claimants?
 - For partial welfare exemptions due to use of the property, is a copy of the assessor's parcel map included in the file indicating which portion of the property is exempt and which portion is not exempt?
 - For welfare exemption claims that do not need supplemental affidavits, what does the assessor require when claimants file for the first time in their county?
 - Is a copy of the OCC included in the file?
 - Are all claim forms received date stamped and signed by the county?
 - Do all claim forms contain original signatures?
 - When does the assessor verify the continued validity of an OCC?
 - What is the assessor's procedure for processing a welfare exemption claim when the organization filing the claim does not possess a valid OCC?
 - When a claim is filed late, does the assessor apply the correct percentage for the partial exemption?
 - Does the assessor send claimants a property use report?
 - What is the assessor's procedure when an organization filing for exemption on a supplemental assessment has not yet met all of the qualifications for the exemption?
 - Does the assessor provide claimants written notification of determination of eligibility when the exemption is:
 - Approved?
 - Denied? or
 - Partially denied?
 - If written notification of determination of eligibility is sent, does the assessor use a specific form?

- In addition to the welfare exemption claim form, does the assessor require the applicable affidavits for first-time filings and annual filings when property is used for:
 - Housing for elderly or handicapped persons?
 - Housing for lower-income households?
 - Low-income housing owned by limited partnerships? or
 - Housing used for rehabilitation and associated living quarters?
- In the past five years, has the assessor denied claims for the welfare exemption on either the secured or unsecured roll?
- Does the assessor exempt nonprofit, multi-specialty clinics under the welfare exemption?
- Does the assessor prorate exemptions from the date of acquisition on both the supplemental and regular rolls?
- What is the assessor's procedure when a property is still owned by an exempt organization, but the property is no longer being used for an exempt purpose?
- What is the assessor's procedure when a property that has a welfare exemption is sold?
- Low-Income Housing:
 - Does the assessor have low-income housing properties that are exempt under the "other legal document?"
 - Does the assessor submit a report to the BOE in response to the annual County Assessors Only (CAO) letter requesting a listing of all claimants and properties within the county that are exempt pursuant to [section 214\(g\)\(1\)\(C\)](#) during the past fiscal year?
 - Are the maximum income levels that are allowed for low-income housing or housing for the elderly/handicapped stated on the assessor's [BOE-267-L, Welfare Exemption Supplemental Affidavit, Housing – Lower Income Households](#), [BOE-267-L1, Welfare Exemption Supplemental Affidavit, Low-Income Housing Property of Limited Partnership](#), or [BOE-267-H, Welfare Exemption Supplemental Affidavit, Housing – Elderly or Handicapped Families](#)? If not, how does the assessor verify that the income reported by the organization does not exceed the maximum income levels allowed?
 - How does the assessor verify that the rents do not exceed the maximum rents allowed:
 - For low-income housing eligible under regulatory agreement or deed restriction when the rents are in conflict with Health and Safety Code section 50053?
 - For low-income housing eligible under "other legal document" that are restricted to the rents allowed under Health and Safety Code section 50053?
 - For elderly and handicapped housing?

- Veterans' Organization Exemption:
 - Are there any veterans' organizations, such as the American Legion or Veterans of Foreign Wars, claiming an exemption in the county? If yes, are only exempt areas of the property granted an exemption?
 - Does the assessor require these organizations to submit an OCC with the claim for exemption?

Disabled Veterans' Exemption

- Does the assessor ensure that the required documents are submitted with the initial claim when the claimant is a disabled veteran? Or, when the claimant is an unmarried surviving spouse?
- When a claimant is filing for the low-income disabled veterans' exemption, does the assessor verify the claimant's reported household income? If so, how is it verified?
- Does the assessor grant both the disabled veterans' exemption and the homeowners' exemption to the same property or to the same claimant?
- Does the assessor apply the disabled veterans' exemption to supplemental assessments?
- Does the assessor prorate the disabled veterans' exemption for the initial year of filing?
- Does the assessor grant the disabled veterans' exemption to a claimant who has been awarded a mortgage-free home through the Military Warriors Support Foundation?
- Does the assessor send out [BOE-261-GNT, Disabled Veterans' Exemption Change of Eligibility Report](#), notices to all claimants who filed in the previous year?
- Does the assessor require all disabled veterans' exemption claimants to file annually to continue qualifying for the exemption?
- Does the assessor require all low-income claimants to file a claim annually?
- Are the claim forms automatically sent out to the claimants?
- Is a new [BOE-261-G, Claim for Disabled Veterans' Property Tax Exemption](#), required to be submitted when a veteran dies and the surviving spouse becomes eligible?
- What is the assessor's procedure when the disabled veterans' exemption no longer applies?
- Does the assessor supply the BOE with the social security numbers of claimants for the disabled veterans' exemption? If a claimant for the low-income provision files the annual claim late, does the assessor properly calculate the partial exemption only on the amount over the basic exemption?